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FOR THE SECRETARY FROM AMBASSADOR ROBERT MCCALLUM

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SUBJECT: SCENESETTER: PRIME MINISTER RUDD'S VISIT TO THE
UNITED STATES

Classified By: AMBASSADOR ROBERT MCCALLUM. REASON: 1.4 (C)

SUMMARY

1. (SBU) Prime Minister Kevin Rudd is coming to Washington with a message that Australia will continue its friendship and close cooperation with the United States across a wide spectrum of issues, from non-proliferation and counterterrorism to climate change and trade liberalization. Rudd, a former diplomat and longtime Shadow Foreign Minister, continues to ride a wave of popularity from his victory over John Howard over four months ago. He has delivered on campaign promises to roll back the previous government's controversial industrial relations legislation, sign the Kyoto Protocol and begin the process of withdrawal of Australian combat troops from Iraq in mid-2008. He issued a historic apology to Australian Aborigines on the first day of the new Parliament and showed cool resolve in responding to the recent crisis in Timor-Leste, swiftly dispatching troops after the attempted assassination of President Ramos Horta. Differences over Iraq and climate change aside, Rudd's Australian Labor Party (ALP) maintains its strong commitment to Australia's alliance with the United States, most recently expressed during the February 23 US-Australia Ministerial (AUSMIN) talks in Canberra, and Rudd will stress the durability of the relationship and unity in confronting common challenges.

2. (SBU) We can expect Australia's continued contributions to military operations targeting the Taliban and al-Qaeda in Afghanistan, and a continued non-combat role in Iraq. The small size of its military - 52,000 personnel - and demands of deployments elsewhere, most recently in response to the attempted coup in Timor-Leste, mean Australia will likely be unable to increase the level of its deployments for some time to come. Despite this, we are confident Australia will remain one of our closest allies and most reliable security partners for the foreseeable future. Rudd has already shown himself to be strongly supportive on tough arms control and nonproliferation issues, including denuclearization of North Korea and Iran. Rudd has declared Australia will not export uranium to India because it has not signed the Nuclear Nonproliferation Treaty, but has not yet decided whether Australia will support an exception for the U.S.-India civil nuclear agreement in the Nuclear Suppliers Group and IAEA.
End Summary.

U.S. Alliance

3. (SBU) The Australian Labor Party (ALP) takes credit for establishing the alliance with the United States during World War II, which ultimately led to the 1951 Australia-New Zealand-United States (ANZUS) Treaty. The ALP continues to include support for the U.S. alliance as one of the three pillars of the party foreign policy platform. (The other two are comprehensive engagement with Asia and enhanced

cooperation with the United Nations. Rudd has made clear Australia's commitment to the alliance, and was quick to reach out to the United States in his election victory speech - the only foreign country he mentioned. He met with the U.S. Ambassador before meeting other foreign envoys, and his key Cabinet ministers - Foreign Minister Stephen Smith and Defense Minister Joel Fitzgibbon - met Secretary Rice and Secretary Gates as their first order of business within weeks

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of being sworn in. During the AUSMIN Conference in Canberra, Mr. Rudd hosted a dinner for Secretary Gates and Deputy QMr. Rudd hosted a dinner for Secretary Gates and Deputy Secretary of State Negroponte at his residence. Rudd

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stressed in his campaign that he would be more independent from the United States than his predecessor, however, and has already flagged some key policy differences.

Iraq

14. (C/NF) Rudd and his defense and foreign affairs ministers have already begun to engage with their U.S. and UK counterparts to discuss withdrawal of approximately 515 combat troops comprising the Overwatch Battle Group from southern Iraq in mid-2008, while leaving in place approximately 1,000 defense personnel in the region, including a 100-man security detachment for its diplomatic mission in Baghdad, and naval and air patrol assets based in neighboring countries that support operations in both Iraq and Afghanistan. While the Australian combat troops have a passive, back-up role to Iraqi security forces, rather than an active combat role, they have served as an important symbol of Coalition unity and of Australia's support of the U.S. in the Global War on Terror. Beyond the redeployment of the combat element, the Australians plan to remain engaged in Iraq in reconstruction and other non-combat roles, and the Cabinet has already begun to consider proposals for additional training and technical assistance. In the meantime, the GOA is working with the U.S. and Iraq on deployment requirements after the current UN mandate lapses.

Afghanistan

15. (C/NF) Unlike Iraq, there has been bipartisan support in Australia for its troop commitment in Afghanistan, and the Rudd government has reaffirmed that it plans to remain in Afghanistan for the "long haul." Support for Australia's combat role in Afghanistan is linked in part to the presence of al-Qaeda and the Taliban, who trained bombers that killed 202 civilians, including 88 Australians, in Bali in 2002, as well as to the impact of the Afghan drug trade on Australia. The Australian government announced in mid-February it would deploy an Operational Mentoring and Liaison Team (OMLT) to help train the Afghan National Army's Second Infantry Battalion and would consider additional civilian development assistance, but is not currently contemplating increasing its combat forces. Three Australian soldiers have been killed in Afghanistan within the last year. Mr. Rudd will attend the April 2-4 NATO Summit in Bucharest and is expected to make a strong appeal for the NATO countries to contribute more to the fight against the Taliban, both in the deployment of their forces and in material aid to Kabul.

China

16. (C/NF) An important dynamic in the U.S. relationship with the new Rudd government is China. Rudd shares our position that China needs to be encouraged to be a responsible stakeholder in the international system, and he has previously expressed his understanding for the importance of cross Strait stability. Rudd views the Chinese export market as a critical component of Australia's growth now and well into the future. PM Rudd's background as a Mandarin-speaking

former diplomat who served in Beijing have led some to believe that he might be overly sensitive towards China, but he has assured the Ambassador that he does not view China through "rose-colored glasses." Early signs are that the Rudd government will be tough or tougher than its predecessor on China's military modernization, transparency, and human rights, judging by Rudd's statements and the inaugural Strategic Dialogue with China on February 4-5. However, the Australians also chose to tell the Chinese before telling us of their opposition to continuing quadrilateral discussions between the U.S., Australia, Japan and India. Rudd opposes entering into a defense pact with Japan and to continuing quadrilateral discussions between the U.S., Australia, Japan and India in part because of Chinese sensitivities and is visiting Beijing but not Tokyo on his first major foreign trip.

Climate Change

17. (SBU) The Rudd government's policy diverges somewhat from ours in climate change, a topic that resonates strongly in Australia where many see a direct causal link with a series of recent, very severe droughts. PM Rudd ratified the Kyoto Protocol within hours of being sworn in, a largely symbolic and cost-free gesture, as Australia is already meeting its Kyoto targets. He also attended the Bali meeting in December 2007 where he committed to working out a post-2012 climate change framework and called for all developed countries to accept binding limitations (viewed as a slap at us), while resisting pressure to commit to significant interim reductions by 2020. Australia's position on the post-2012 framework is close to that of the United States. Rudd has pledged that Australia would not sign a post-Kyoto framework that does not include commitments to reduction targets by developing countries such as China and India. Under Rudd, Australia is committed to a cap and trade system which it plans to have up and running by 2010.

18. (SBU) The government has set a target of using renewable energy for 20 percent of its energy needs by 2020. Both initiatives will increase the price of energy, but economists estimate that, as a result, GDP growth would decrease by less than one-half of one percent. Rudd believes in the importance of clean coal technology to the global effort and the special responsibility of Australia, the world's largest coal exporter, to develop and share those technologies with countries that depend on coal for a substantial part of their energy needs, such as China and India. He would prefer to concentrate on "getting coal right" instead of developing a nuclear power industry. The Prime Minister recently told a U.S. Congressional delegation the one missing element in the global effort to cope with climate change was U.S. leadership. He believes that if U.S. would commit itself to achievable emissions targets, it would prevent China and India from citing lack of U.S. participation as an excuse for refusing to make commitments in a post-Kyoto agreement.

Defense Cooperation and National Security Policy

19. (SBU) Australia is a large consumer of U.S. defense hardware and technology, consistent with its objective of interoperability. Foreign Military Sales (FMS) in 2007 were USD3 billion. Australia has selected the Aegis Combat Control System for its three air warfare destroyers that will come into service in 2014, 2016, and 2017, respectively. The F/A-18 aircraft is the principal combat aircraft of the Royal Australian Air Force (RAAF), backed by the U.S.-built F-111 strike aircraft. The Rudd government recently affirmed the previous government's decision to acquire 24 Boeing F/A-18F Super Hornet fighters to maintain an interim strike capability between the phase-out of the F-111s by 2010, and the projected acquisition of up to 100 F-35 Joint Strike Fighter aircraft during 2013-2020. Deliveries of the Super Hornet would commence in 2010. The RAAF received in March the last of four C-17 strategic airlift aircraft it

purchased, and is acquiring Boeing's Airborne Early Warning and Control system (referred to as Wedgetail). Recent sales to the Royal Australian Army include the M1A1 tank, as well as Hellfire and JAVELIN missiles. The U.S.- Australia Defense Cooperation Treaty was signed in September 2007 and submitted to the U.S. Senate for ratification in December 2007. A hearing on the Treaty, along with a parallel treaty with the United Kingdom, has not been set but is expected shortly after the Easter recess. Australian industry hopes implementation will streamline and increase defense technology exchange and trade. The Australian Defense Materiel Organization estimates a 50 percent reduction in export licenses required following treaty implementation. Australia is purchasing a Wideband Global SATCOM (WGS) satellite that will be incorporated into the U.S. DOD's WGS five-satellite constellation.

¶10. (S/REL AUS) At the February 23, 2008, Australia-U.S. Ministerial (AUSMIN) consultations, the two sides agreed to strengthen combined capabilities and U.S. military access to Australia, referred to as Enhanced Defense Cooperation, with a focus on three areas: enhancing the Joint Combined Training Capability; prepositioning equipment for Humanitarian Assistance and disaster relief (HA/DR) operations in the region; and strengthening Intelligence, Surveillance and Reconnaissance (ISR) access and cooperation.

Economy: Managing Success

¶11. (C) After having branded himself an "economic conservative" in the run-up to the election, Rudd is facing the challenge of rising inflation. This is largely the result of capacity constraints, particularly labor, as Australia continues its 17th consecutive year of growth. The Reserve Bank of Australia raised interest rates for the fourth time in eight months at the beginning of March. Unemployment is at a 33-year low and all signs point to significant increases in resource prices that will ripple through the Australian economy. Rising resource prices at the same time as slowing U.S. growth have encouraged many Australians to believe that reliance on China has decoupled their economy from the U.S. business cycle. Rudd has simultaneously blamed his predecessors for mismanaging the benefits of Australia's resource-driven economic boom while stressing his own commitment to fighting inflation by holding down government spending in order to increase the already large budget surplus. Rudd's goal in playing up the inflation problem appears to be to avoid the perception that he is out of touch with the problems facing Australians while reassuring markets that he is committed to sound economic policy.

Other Issues

¶12. (SBU) Finally, Australia under Rudd will likely continue to be a strong ally of the United States on counterproliferation and arms control issues. He is likely to continue Australia's strong support for our position on the North Korea and Iran nuclear issues. He has announced his opposition to exporting Australian uranium to India because it would weaken the NPT, which India has not signed. However, he has not yet decided whether to support consensus in the Nuclear Suppliers Group and the IAEA on granting an exception for India, as a non-NPT member, which is a precondition to concluding the U.S.-India civil nuclear agreement with the United States.